

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: June 8, 2001

SUBJECT: Fiscal Impact Statement (Revised): "Insurance Compliance Self-Evaluation Privilege Act of 2001"

REFERENCE: Bill Number 14-158 as Introduced

Conclusion

There is no fiscal impact associated with the provisions of the proposed legislation that has not been provided for in the FY 2001 budget or the FY 2002 through FY 2005 budget and financial plan. The proposed legislation will not affect General Fund revenue.

Background

The proposed legislation authorizes an insurer or health maintenance organization (HMO) to conduct voluntary internal audits of its compliance programs and management systems. It also authorizes them to assess and improve compliance with District and Federal statutes, rules and orders. An insurance compliance self-evaluative privilege is recognized to protect the confidentiality of communications relating to voluntary internal compliance audits.

Financial Plan Impact

The proposed legislation only provides a privilege to an insurer or HMO if it follows the provisions in the bill. This privilege encourages an insurer or HMO to monitor its own conduct and behavior, with the objective of encouraging it to correct problems as they are identified. An insurer or HMO may perform this self-evaluation without fear that specified documents will be subject to disclosure litigation. As such, the Department of Insurance and Securities Regulation will not require any additional staff or resources to administer the provisions of the proposed legislation.